

TOWNSHIP OF CORWITH
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Corwith	County Otsego
Audit Date March 31, 2007	Opinion Date June 26, 2007	Date Accountant Report Submitted to State: June 26, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

TOWNSHIP OF CORWITH
Otsego County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17-18
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	19
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	20
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Standards Performed in Accordance with Government Auditing Standards	21
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	22-23
Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 26, 2007

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Corwith, Otsego County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Corwith's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Corwith, Otsego County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2007, on our consideration of the Township's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-333, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CORWITH
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Corwith covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$319,174.81 for governmental activities.

Overall revenues were \$250,647.00 from governmental activities. Governmental activities had a \$624,326.56 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF CORWITH
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$919,841.13.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$43,169.90 in capital assets.

The Township's governmental activities paid \$7,733.56 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-983-2865 or P.O. Box 100, Vanderbilt, Michigan 49795.

TOWNSHIP OF CORWITH
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	141 800 82
Taxes receivable	<u>8 636 51</u>
Total Current Assets	<u>150 437 33</u>
NON-CURRENT ASSETS:	
Capital Assets	362 519 72
Less: Accumulated Depreciation	<u>(166 676 47)</u>
Total Non-current Assets	<u>195 843 25</u>
TOTAL ASSETS	<u><u>346 280 58</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 500 00</u>
Total Current Liabilities	<u>1 500 00</u>
NON-CURRENT LIABILITIES:	
Contract payable	<u>25 605 77</u>
Total Non-current Liabilities	<u>25 605 77</u>
Total Liabilities	<u>27 105 77</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	170 237 48
Unrestricted	<u>148 937 33</u>
Total Net Assets	<u>319 174 81</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>346 280 58</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		Program Revenue		Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	36 263 36	-	-	(36 263 36)
General government	101 087 09	46 087 89	-	(54 999 20)
Public safety	1 375 00	-	-	(1 375 00)
Public works	734 590 11	-	23 300 00	(711 290 11)
Interest on long-term debt	<u>1 658 00</u>	<u>-</u>	<u>-</u>	<u>(1 658 00)</u>
Total Governmental Activities	<u>874 973 56</u>	<u>46 087 89</u>	<u>23 300 00</u>	<u>(805 585 67)</u>
General Revenues:				
Property taxes				59 409 17
Other taxes				25 467 75
State revenue sharing				81 410 60
Interest				5 025 04
Miscellaneous				<u>9 946 55</u>
Total General Revenues				<u>181 259 11</u>
Change in net assets				(624 326 56)
Net assets, beginning of year				<u>943 501 37</u>
Net Assets, End of Year				<u>319 174 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	141 779 69
Taxes receivable	8 636 51
Due from other funds	<u>21 13</u>
Total Assets	<u>150 437 33</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>1 500 00</u>
Total liabilities	<u>1 500 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>148 937 33</u>
Total fund equity	<u>148 937 33</u>
Total Liabilities and Fund Equity	<u>150 437 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	148 937 33
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	362 519 72
Accumulated depreciation	(166 676 47)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(25 605 77)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>319 174 81</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>Total (General)</u>
Revenues:	
Property taxes	59 409 17
Other taxes	25 467 75
Federal grants	23 300 00
State revenue sharing	81 410 60
Charges for services – PTAF	22 711 69
Charges for services – other	23 376 20
Interest	5 025 04
Miscellaneous	<u>9 946 55</u>
Total revenues	<u>250 647 00</u>
Expenditures:	
Legislative:	
Township Board	36 263 36
General government:	
Supervisor	5 910 00
Elections	2 576 15
Assessor	17 599 60
Clerk	15 393 38
Board of Review	1 400 00
Treasurer	16 141 50
Building and grounds	23 832 03
Cemetery	13 555 57
Public safety:	
Planning Commission	1 375 00
Public works:	
Highways and streets	714 634 22
Street lighting	1 030 73
Sanitation	17 568 13
Capital outlay	43 169 90
Debt service	<u>9 391 56</u>
Total expenditures	<u>919 841 13</u>
Excess (deficiency) of revenues over expenditures	(669 194 13)
Fund balance, April 1	<u>818 131 46</u>
Fund Balance, March 31	<u><u>148 937 33</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (669 194 13)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(6 035 89)
Capital Outlay	43 169 90

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>7 733 56</u>
--------------------------------------	-----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(624 326 56)</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Corwith, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Corwith. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .9509 mills, and the taxable value was \$62,441,624.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (cont)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>141 800 82</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>56 077 13</u>
Total Deposits	<u>156 077 13</u>

The Township of Corwith did not have any investments as of March 31, 2007.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land and improvements	51 801 00	36 159 90	-	87 960 90
Buildings	195 264 26	-	-	195 264 26
Equipment	<u>72 284 58</u>	<u>7 010 00</u>	<u>-</u>	<u>79 294 56</u>
 Total	 319 349 82	 43 169 90	 -	 362 519 72
Accumulated Depreciation	<u>(160 640 58)</u>	<u>(6 035 89)</u>	<u>-</u>	<u>(166 676 47)</u>
Net Capital Assets	<u>158 709 24</u>	<u>37 134 01</u>	<u>-</u>	<u>195 843 25</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$670.08.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Corwith does not issue building permits. Building permits are issued by the County of Otsego.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
Contract payable	<u>33 339 33</u>	<u>-</u>	<u>7 733 56</u>	<u>25 605 77</u>
Total	<u>33 339 33</u>	<u>-</u>	<u>7 733 56</u>	<u>25 605 77</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 – Contract Payable

On September 26, 2001, the Township obtained a \$60,000.00 loan from First National Bank of Gaylord to fund an installment purchase contract for improvements to the Township hall. The Loan is repayable in one hundred and eighty monthly payments in the amount of \$492.85 including interest at the rate of 5.50% per annum. As of March 31, 2007, the principal balance outstanding on the loan was \$25,605.77.

TOWNSHIP OF CORWITH
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	60 000 00	60 000 00	59 409 17	(590 83)
Other taxes	25 467 00	25 467 00	25 467 75	75
Federal grants	-	803 444 00	23 300 00	(780 144 00)
State revenue sharing	78 330 00	78 330 00	81 410 60	3 080 60
Charges for services:				
Property tax administration	22 840 00	22 840 00	22 711 69	(128 31)
Other	15 450 00	15 450 00	23 376 20	7 926 20
Interest	1 800 00	1 800 00	5 025 04	3 225 04
Miscellaneous	16 114 00	16 114 00	9 946 55	(6 167 45)
Total revenues	<u>220 001 00</u>	<u>1 023 445 00</u>	<u>250 647 00</u>	<u>(772 798 00)</u>
Expenditures:				
Legislative:				
Township Board	42 600 00	40 590 00	36 263 36	(4 326 64)
General government:				
Supervisor	6 268 00	6 268 00	5 910 00	(358 00)
Elections	5 590 00	5 590 00	2 576 15	(3 013 85)
Assessor	17 640 00	18 210 00	17 599 60	(610 40)
Clerk	16 811 00	16 811 00	15 393 38	(1 417 62)
Board of Review	1 500 00	1 500 00	1 400 00	(100 00)
Treasurer	16 811 00	16 811 00	16 141 50	(669 50)
Building and grounds	74 756 00	74 756 00	23 832 03	(50 923 97)
Cemetery	18 220 00	18 220 00	13 555 57	(4 664 43)
Public safety:				
Planning Commission	6 035 00	6 035 00	1 375 00	(4 660 00)
Public works:				
Highways and streets	59 850 00	974 075 00	714 634 22	(259 440 78)
Street lighting	1 300 00	1 300 00	1 030 73	(269 27)
Sanitation	27 314 00	27 314 00	17 568 13	(9 745 87)
Capital outlay	43 650 00	44 000 00	43 169 90	(830 10)
Debt service	9 675 00	9 675 00	9 391 56	(283 44)
Total expenditures	<u>348 020 00</u>	<u>1 261 155 00</u>	<u>919 841 13</u>	<u>(341 313 87)</u>
Excess (deficiency) of revenues over expenditures	(128 019 00)	(237 710 00)	(669 194 13)	(431 484 13)
Fund balance, April 1	<u>128 019 00</u>	<u>237 710 00</u>	<u>818 131 46</u>	<u>580 421 46</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>148 937 33</u>	<u>148 937 33</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2007

Township Board:

Salaries and per diem	3 774 00
Benefits	670 08
Payroll taxes	5 430 77
Supplies	6 613 83
Insurance	5 624 00
Audit and legal	5 872 43
Telephone	1 931 36
Printing and publishing	1 911 54
Miscellaneous and dues	4 435 35
	<u>36 263 36</u>

Supervisor:

Salary	5 118 00
Deputy	792 00
	<u>5 910 00</u>

Elections:

Wages	1 825 88
Supplies	654 55
Miscellaneous	95 72
	<u>2 576 15</u>

Assessor:

Wages	15 840 00
Mileage	192 56
Supplies	1 567 04
	<u>17 599 60</u>

Clerk:

Salary	14 061 00
Deputy	1 332 38
	<u>15 393 38</u>

Board of Review:

Wages	1 400 00
-------	----------

Treasurer:

Salary	14 061 00
Deputy	2 080 50
	<u>16 141 50</u>

Building and grounds:

Salary	5 376 00
Supplies	988 23
Administrator	1 515 00
Telephone	359 61
Utilities	5 105 43
Repairs and maintenance	9 172 28
Miscellaneous	1 315 48
	<u>23 832 03</u>

Cemetery:

Salary and wages	9 030 00
Supplies	917 76
Repairs and maintenance	1 916 02
Administrator	1 515 00
Miscellaneous	176 79
	<u>13 555 57</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Planning Commission:	
Wages	870 00
Miscellaneous	505 00
	<u>1 375 00</u>
Highways and streets:	
Contracted services	<u>714 634 22</u>
Street lighting:	
Utilities	<u>1 030 73</u>
Sanitation:	
Wages	3 282 71
Supplies	117 92
Repairs and maintenance	14 167 50
	<u>17 568 13</u>
Capital outlay	<u>43 169 90</u>
Debt service	<u>9 391 56</u>
Total Expenditures	<u>919 841 13</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>792 50</u>	<u>1 899 882 06</u>	<u>1 900 278 07</u>	<u>396 49</u>
<u>Liabilities</u>				
Due to other funds	451 88	81 869 82	82 300 57	21 13
Due to others	<u>340 62</u>	<u>1 818 012 24</u>	<u>1 817 977 50</u>	<u>375 36</u>
Total Liabilities	<u>792 50</u>	<u>1 899 882 06</u>	<u>1 900 278 07</u>	<u>396 49</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>792 50</u>
Cash receipts:	
Property tax	1 899 548 90
Interest	<u>333 16</u>
Total cash receipts	<u>1 899 882 06</u>
Total beginning balance and cash receipts	<u>1 900 674 56</u>
Cash disbursements:	
Township General Fund	82 300 57
Vanderbilt Corwith Fire and Rescue	128 228 77
Village of Vanderbilt	659 81
Otsego County	796 955 98
Vanderbilt Area School District	788 129 51
C.O.P. Intermediate School District	96 520 23
State of Michigan	715 84
Refunds	<u>6 767 36</u>
Total cash disbursements	<u>1 900 278 07</u>
Cash in Bank – End of Year	<u><u>396 49</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 26, 2007

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the financial statements of the Township of Corwith, Otsego County, Michigan as of and for the year ended March 31, 2007, and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.


Compliance

As a part of obtaining reasonable assurance about whether Township of Corwith's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Corwith's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies. However, this report is a matter of public records and its distribution is not limited.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 26, 2007

To the Township Board
Township of Corwith
Otsego County, Michigan

Compliance

We have audited the compliance of Township of Corwith, Otsego County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2007. Township of Corwith's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Township of Corwith's management. Our responsibility is to express an opinion on Township of Corwith's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Township of Corwith's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Township of Corwith's compliance with those requirements.

In our opinion, Township of Corwith complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of Township of Corwith is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Township of Corwith' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Township Board
Township of Corwith
Otsego County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Campbell Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CORWITH
Otsego County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended March 31, 2007

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Pass – though program from:		
Michigan Economic Development Corporation:		
Community Development Block Grant	14.228	<u>512 732 06</u>
Total pass-though programs		<u>512 732 06</u>
Total Expenditures of Federal Awards		<u>512 732 06</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended March 31, 2007

There were no prior year findings.

There are no current year findings.

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 26, 2007

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the financial statements of the Township of Corwith for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Corwith in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Corwith
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants